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**MEMORANDUM**

December 10, 2012

**TO:** Representative Lois Court

**FROM:** Ron Kirk, Economist, (303) 8664785

**SUBJECT:** Public Finance Topics in The House Finance Committee

This memorandum responds to your request for information on the public finance topics most frequently deliberated in the House Finance Committee. This research identifies ten areas of finance that the committee has debated since the late 1990s on a reoccurring basis. Each topic is briefly discussed.

**Public Finance Topics and the House Finance Committee**

In the late 1990s and early 2000s, Colorado's information technology boom drove a very healthy economy. The House Finance Committee's (HFC) workload in terms of bills was the second-largest after the House Judiciary Committee. For example, during the 2000 session, the HFC deliberated 120 bills, while the House Judiciary Committee took up 123 bills. Since 2007, or the beginning of the last recession, the House Finance Committee's workload has been moderate, hearing about half the number of bills debated in 2000. Bills often debated in the HFC affect:

- state income taxes;
- state sales and use taxes;
- local government property taxes;
- economic development;
- the administration of tax systems;
- other taxes;
- fee bills;
- the state budget process;
- state and local government pension plans; and
- public safety and consumer protection.

**State income taxes.** Individual and corporate income taxes are the largest source of General Fund revenue, making up nearly 70 percent of total revenue. The committee has debated legislation to propose rate changes (late 1990s) and provide tax incentives to individuals and corporations. These incentives are often in the form of tax deductions or credits that reduce a taxpayer's liability when certain conditions are met. In addition, almost each session, the committee debated legislation affecting "Checkoff Colorado," a program administered by the Colorado Department of Revenue (CDOR) that allows taxpayers to make charitable donations to nonprofit organizations.

**State sales and use taxes.** Sales and use taxes are the second-largest source of General Fund revenue, constituting about 30 percent of total revenue. The committee has debated legislation to propose rate changes (mid-1980s and late 1990s) and provide incentives to consumers and businesses by exempting certain retail and other purchases that would otherwise be subject to sales taxes.

**Local government property taxes.** Property taxes are the main source of revenue for counties and school districts. The committee has debated legislation that set the residential assessment rate and exemptions that reduce property taxes for certain taxpayers. For example, changes to the senior homestead exemption have been debated by the committee during a number of legislative sessions.

**Economic development.** During many legislative sessions, the HFC has debated legislation to promote business development in the state. For example, legislation to provide tax incentives under Colorado's Enterprise Zone Program has been debated. In addition, during the recessions of the 2000s, the HFC debated legislation targeting job growth. These bills generally provide tax incentives through the state income, state sales and use, and local property tax systems. The HFC has also discussed ways to attract businesses from other states to Colorado or to encourage a certain type of business activity.

**Administration of tax systems.** The Colorado Department of Revenue administers many of the taxes that are levied by the state. The committee has debated legislation to modify the administration of these taxes.

**Other taxes.** In addition to income and sales taxes, the state levies a number of taxes on liquor, tobacco products, estates, insurance premiums, and other taxes. The committee has debated policies that reduce or modify these taxes.

**Fee bills.** Each session, the Speaker of the House of Representatives has designated a bill routing schedule that directs bills affecting General Fund revenue to the HFC. Generally, these bills increase (or decrease) General Fund revenue by either creating or raising a statutory fee.

**State budget process.** Each year the General Assembly debates the Long Bill to establish the state's budget for the following fiscal year. The committee has debated legislation affecting the budget for the current or following fiscal year. Often, these bills are carried or sponsored by members of the Joint Budget Committee.

**State and local government pension plans.** State law governs pension systems for state employees and fire and police personnel who are not under the Social Security pension system. Often, these bills make technical changes to these pension systems.

**Public safety and consumer protection.** The HFC has debated a number of bills related to public safety and, in some cases, tied to the state budget. For example, the HFC has debated legislation affecting funding for certain wildfire protection costs. In terms of consumer protection, the committee has taken up a number of bills related to a wide variety of public policy issues. Generally, these bills are tied to different tax systems and administered by the CDOR. For example, during the 2012 session, the committee debated legislation that affected the state alternative fuel income tax credit. The bill specified that consumers who lease a car should be the recipient of the tax incentive rather than the auto dealership.